



## TUCSON AMATEUR ASTRONOMY ASSOCIATION CASH RESERVES POLICY

### PURPOSE

The purpose of the Cash Reserves Policy for TAAA is to give visibility to the levels of the unrestricted operating funds within TAAA, enhancing the financial management of the organization, to ensure the mission, programs, and ongoing operations are financially well supported.

The unrestricted funds available to operations are divided into three levels, each funded and each utilized under particular financial circumstances. The first level is the Operating Account, the second the Reserve Fund and the third, the Tucson Astronomy Endowment.

### DEFINITIONS AND GOALS

#### Operating Account

The Operating Account is defined as the first source of cash funds for the ongoing operations of TAAA. Funds for day to day operations are drawn from this account. Any unrestricted deposits received by TAAA are credited to this account unless otherwise indicated by a donor, or by the Cash Reserves Policy.

#### Reserve Fund

The Reserve Fund ("Reserve") is intended to provide an internal source of funds for unusual situations when the Operating account has or will be temporarily depleted such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses above and beyond the funds normally held in the TAAA Operating account. The Reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, special events or investment in infrastructure as directed by the Board of Directors.

#### Tucson Astronomy Endowment

The Tucson Astronomy Endowment ("Endowment") is a reserve account intended as TAAA's longer term source of operating funds. These funds represent the accumulation of funds above the level of day to day expenses foreseen for a number of years to come. Regularly, each year, 5% of the principle balance of the Endowment will be distributed to the Operating Account. Further, the Board of Directors or its designee may evaluate situations whereby TAAA may wish to support efforts or initiatives outside of normal operations utilize the longer term funds of the Endowment

Neither the Reserve nor the Endowment are intended to replace a permanent loss of operating funds or eliminate an ongoing budget gap. It is the intention of TAAA for the Operating Reserves to be used and replenished within a reasonably short period of time.



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### FUNDING OF THE RESERVE AND ENDOWMENT

#### Reserve

At such time as the level of cash in the Operating Accounts the end of the fiscal year exceeds the average of the previous 2 years (current and previous years') of operating expenses, the cash in excess of this level will be to be contributed to the Operating Reserve unless otherwise directed by the Board of Directors. The calculation of average operating expenses includes all recurring, predictable expenses such as utilities, rents, insurance, printing, postage, and ongoing professional services. Excluded are expenses related to purchase of apparel and other goods for resale, one time fees or professional services. Depreciation and other non-cash expenses are not included in the calculation.

The Reserve serves a dynamic role and will be reviewed and may be adjusted throughout the year by the Board in response to internal and external changes and projections of financial results.

#### Endowment

When the level of cash in the Operating Account is fully funded, and the Reserve the end of the fiscal year exceeds the average of the previous 2 years of operating expenses, the cash in excess of this level will be to be contributed to the Endowment unless otherwise directed by the Board of Directors.

In addition to contributions from the Reserve, unrestricted general donations to TAAA may be deposited to the Endowment if instructed by a donor.

The Operating Reserve and the Endowment will be regularly funded with surplus unrestricted operating funds. The Board of Directors may from time to time direct that a specific source of revenue be set aside for the Endowment. Examples may include one-time gifts or bequests, special grants, or special appeals.

### ACCOUNTING FOR RESERVES

The Reserve Fund will be recorded in the financial records as an unrestricted Board-Designated operating reserve. The funds will be held and available in cash or cash equivalent accounts. Operating reserves may be commingled with the general cash and investment accounts of the organization.

The Tucson Astronomy Endowment will be recorded in the financial records as an unrestricted Board-Designated Quasi Endowment. The Endowment may be funded in cash or cash equivalent funds, or investments approved by the Board of Directors. These funds may be commingled with the general cash and investment accounts of the organization.

### USE OF THE RESERVES

The Reserves will be utilized when the Treasurer, President or Board identify the financial need for access to the funds and confirm that the use is consistent with the purpose of the reserves



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as described in this Policy. This requires analysis of the reason for the shortfall, the availability of any other sources of funds before using reserves, and evaluation of the time period that the funds will be required and will be replenished.

Authority for use of Reserves is delegated to the President in consultation with the Treasurer. The use of Operating Reserves will be reported to the Board of Directors at their next scheduled meeting, accompanied by a description of the analysis and determination of the use of funds and plans for replenishment to restore the Operating Reserve fund to the target minimum amount. The President must receive prior approval from the Board of Directors if the Operating Reserves will take longer than 12 months to replenish.

### USE OF THE TUCSON ASTRONOMY ENDOWMENT

The board has established a fund of cash, securities, or other assets to provide long term funds for the maintenance of TAAA. The board - designated endowment, which results from an internal designation, does not contain funds which are donor - restricted. From an accounting perspective these can be used as any other unrestricted assets.

The Endowment fund may be invested in income producing securities.

The Board of Directors has determined that five percent (5%) of the principal balance of the Endowment will be distributed at the end of each fiscal year to fund the Operating account. If the Operating account is fully funded, this excess will be distributed to the Reserve. If the Reserve is fully funded, this excess will remain in the Endowment

Authority for use of the Endowment is reserved by the Board of Directors. At time to time, the Board of Directors or their designees may determine other instances and circumstance for distributions one time or regular distributions from the Endowment fund.